

HOUSE JOINT RESOLUTION 97
By Jones U

A RESOLUTION to request that the Council on Pensions and Insurance study the feasibility of offering a deferred retirement option plan (DROP) as a retirement option of enrollees in the state retirement system.

WHEREAS, in recent years a number of states have instituted deferred retirement option plans (DROP) as a retirement option within their state retirement programs, usually for the purpose of encouraging employees to work past their normal retirement date; and

WHEREAS, many state DROP programs require some version of the following for participation:

1. The retirement system member must have reached the normal age of fully vested retirement (an age and years of service definition).
2. The member must sign up for a specific time period for which the member plans to work past retirement (often at least three years and no more than five years).
3. At the end of the selected time period, the member must cease working for the state.

A variety of other requirements and statutory and administrative rule language may be selected to carry out whatever personnel goals are intended by offering a DROP plan; and

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WHEREAS, during the time period selected by the DROP enrollee, the member's "retirement benefit" is paid into an escrow account which will be paid to the member at the end of the DROP period, or possibly rolled into an IRA; nothing is paid in to the retirement system by the employee or the state during this period; and

WHEREAS, the member receives his or her monthly retirement based upon the date that he or she "retired" before continuing work as an enrollee in the DROP option; and

WHEREAS, the state cost for the program can presumably be at least partially offset by cost savings on insurance and cost-of-living adjustments, as well as savings on new employee recruitment and training; the level of such offset is determined by the provisions of the plan; and

WHEREAS, the statutory language, administrative rules and experience of the several states that have already instituted DROP programs provide a variety of methods in approaching this alternative; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE ONE HUNDRED THIRD GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE SENATE CONCURRING, That the Council on Pensions and Insurance is requested to study the feasibility of offering a deferred retirement option plan for members of the Tennessee Consolidated Retirement System or for selected occupations within the system, including an analysis of the costs and benefits for plans with a three-year maximum, a four-year maximum and a five-year maximum deferral period, and to report its findings and recommendations together with any statutory language that may be required no later than February 1, 2004.

BE IT FURTHER RESOLVED, That appropriate copies of this resolution be sent to each member of the Council on Pensions and Retirement and to the Honorable Phil Bredesen, Governor of the State of Tennessee.